2.14　Grants Management

The grants functionality was created to provide government organizations with the ability to track the status of grants, plan for grant budgets, monitor costs associated with grants, control spending within specific grant activities, generate billing transactions for receivables, and post indirect cost recovery. The grants function currently focuses on the Grantee accounting and monitoring. Additional development activities have been identified by SAP to enhance Grantor accounting practices and will be available at a later date. Current functionality provides capabilities to monitor and control components of sub-recipient activities; however, the new functionality will enhance the process further.

The current Grants function is specific to public sector implementations and sits outside of standard Financial Accounting processes. It can be viewed as both a 'feeder' and 'receiver' system for transaction processing, although the majority of the transactions associated with grant accounting will be processed in other functions/modules and "received" into grants. Grants Management provides a small set of standard reports to allow for the management of grants activities. Most of the required grant reporting will be generated through the business warehouse functions. Due to the varying nature of the grantor requirements and the differing manners in which public sector organizations account for their grants, the adoption of a one-size fits all set of standard reports was not practical.

2.14.1　Objective

The objective of Grants Management as implemented for the State will be to provide functionality to the users for the managing of costs associated with grants as well as the ability to track and monitor the status of grants to which the State has applied. The grants management functions will provide a set of data elements (accounts) specific to the grants functions. These elements include:

- Sponsor

- Grant

- Fund (shared across Funds Management and Grants Management)

- Sponsored Program

- Sponsored Class

- Grant Type

- Grant Lifecycle

- Budget Validity Period

Master Data

Master data relates to data elements used for budgetary controls and reporting within the functional area. The master data elements can vary from one year to the next or from one program (or grant) to the next. Master data is not expected to change frequently, however, it is also not expected to last the duration of the system usage without changes or additions. Individual agency personnel can manage certain components of master data while other components (due to its cross-application nature) must be managed be a central team of individuals. Master data, overall, is being reviewed to determine the process for management. It is expected that a central support team will be responsible for the management of master data.

Sponsor – A Sponsor is defined as a "<u>Business partner involved with a grantee organization in the sponsoring of programs through business contracts defined as grants.</u>" This refers specifically to the organization to which the program has been contracted through. Sponsors can include federal organizations, other state agencies, non-profit organizations as well as commercial companies. The Sponsor is established as a Business Partner within the system and defined as being a Grant Sponsor. Examples of Grant Sponsors include, federal Department of Health and Human Services, federal Department of the Interior, South Carolina Department of Health and Human Services, National Institute for Health, Center for Disease Control, Johnson & Johnson, etc. In this example, each of these organizations would be established as a Sponsor within the system.

At the sponsor level, default information is established and created. This information includes the contact information, billing information, recovery rates for indirect costs, and allowed programs (sponsored program-see below) and classes (sponsored class-see below). Many of these values are carried from the defaults established at the sponsor level to the individual grant and can be adjusted as appropriate.

Sponsor has been identified to represent the organization to which the state agency is responsible. In the case of direct payments and reimbursement from a federal agency, a non-profit organization, or a commercial company, the sponsor will be defined as that organization. For grants whereby the funds received by a state agency have been defined as "pass-through" to

another state agency, the sponsor will be defined as the primary receiving state agency. For example, a grant award is received by the State of South Carolina Department A from the US Department XX. For the SC Department A, the sponsor on the grant is the US Department XX. The funds are then passed through the SC Department A to the South Carolina Department B. The sponsor for the SC Department B grant is SC Department A.

Example: FEDHHS   US DEPARTMENT OF HEALTH AND HUMAN SERVICES

             SCDHHS   SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

Grant – A grant is defined as a "Legal instrument used to establish a funding relationship in order to carry out a public purpose in which the sponsor does not expect to be substantially involved. A grant usually contains terms and conditions for the control, use, reporting and reimbursement of sponsor funding." This generic definition can be interpreted to refer to contractual arrangements to provide a specific program or service whereby the sponsor will reimburse the organization. For the State of South Carolina, many of the "grants" received are from federal (US Government) agencies. In fiscal year 2003, the State expended $4.4 billion in federal grants.

The grant master record is the heart of grant accounting and monitoring. The grant contains the detail grant award numbers (internal and external numbers), the federal Catalog of Federal Domestic Assistance (CFDA) number, the grant sponsor, the allowed programs (sponsored program-see below), the allowed classes (sponsored class-see below), the indirect cost rates associated with the grant and the sponsored classes, the responsibilities associated with the grant, and the status of the grant records.

The grant master record will be established for each individual grant award whereby a state agency has received notice of an award that carries a separate and distinct contract number or other notation from other awards received from that organization. In the instances of continuation grants, a new grant will be established when the contract number changes. For grants where the award has been extended and the same contract number is used, the original grant master will be retained unless the agency is required to keep the extended amounts separate and distinct from the original values.

Fund – The fund is defined as "… a separate and distinct fiscal/accounting object containing a complete self-balancing set of accounts used to monitor the use of the financial resources/cash of

an organization, together with associated liabilities, residual equities, and related changes. Amounts are distinguished by fund so that certain activities can be performed or objectives achieved in accordance with special regulations, restrictions, or limitations. Organizations can set up funds at a lower level than those required for external reporting. Fund groups must then be used. Funds are classified into fund types, which have distinctive accounting and reporting requirements." The fund is the primary accounting element in public sector accounting. The fund in SAP is shared across the budgetary control functions (funds management) and grants management. Fund is used in grants management to represent, at a high-level, the internal or external source of the money. The fund is used for budgetary control within the grant and for computation and recovery of indirect costs. Fund in Grants Management is also used to segregate cost sharing and in-kind matching requirements for the grant. The fund is established as an internal fund and costs and revenues are recorded against the element. Internal funds are setup with budgetary controls just as external funds relating to sponsor requirements.

For additional information on the Fund data element, refer to the Funds Management section.

Sponsored Program – The sponsored program is defined as "… a tool for grouping costs to satisfy the sponsor's view and reporting needs. It defines, in the sponsor's view and terms, a program to be funded." The definition is described generically so as to not restrict or form a restricted view of how the element can be used for SAP Grants Management. The sponsored program is essentially a lower level of detail that can be found within the grant award or an activity that crosses multiple grant awards. In certain grant awards, the lower level is used to break down specific activities being funded or phases within the grant. These activities and or phases are established at the sponsor level and applied to the grant during creation of the grant master record. Detailed cost accounts are then included within the sponsored program. This allows for a fourth level of detail tracking associated to a single grant award: grant, fund, sponsored program and sponsored class.

The sponsored program values will be defined for each sponsor and award. To the extent that programs can be used across state agencies, an attempt will be made to continue the use of those values. The sponsored program values will be reviewed with each agency at the point of their implementation and rollout of the statewide solution.

Example: EDUCATION   EDUCATIONAL ACTIVITIES
             FOCUSGRP1   FOCUS GROUP 1 ACTIVITIES

Sponsored Class – The sponsored class has been defined as "… the sponsor's expense and revenue classification. It is used to group expenses and revenues to meet the sponsor's reporting requirements." The definition refers to the specific requirement placed on the receiving organization by the granting or awarding organization. The sponsored class values can differ from one grant to another within the same sponsor. The sponsor class values are established at the sponsor level and assigned to the grant at the time of creation of the grant master. The classification can be used for both grant revenues as well as expenditures. These values represent a roll up of commitment items within the SCEIS solution. The commitment items are defined in the funds management component of the solution and are derived upon transaction input based on the general ledger accounts entered.

The sponsor class values will be established and reviewed for each of the grants in relation to the requirements of the sponsor and the award/contract. The sponsor classes can vary across the grants awarded by a single sponsor and are selected and identified at the time the grant master record is created. The sponsor classes will be reviewed by each agency utilizing the grants management functionality at the time of the agency's rollout. For similar requirements from one agency to another within the same sponsor, the State will attempt to utilize the same sponsor class values.

Example: PERS-ALL   All personnel costs including salaries and fringes

             PERS-SALARIES   Personnel costs including only salary components

             PERS-FRINGES   Personnel costs including only fringe components

Grant Type – The grant type "… controls the behavior of a grant in the system. It determines which functions are available, which number ranges are used for grants, and so on. The grant type is user-defined. A grant type must be entered in the master data of each grant created in Grants Management (GM). Once the grant is saved, the grant type so entered cannot be changed." The grant type is used in the grants management solution to control the behavior of the associated grants. The grant type provides default values when entered on the grant master. These defaults include: the grant lifecycle status, the posting options, the types of transactions that are allowed, the number ranges, and additional posting and control options.

The Grant Type values have been defined as the baseline set for the SCEIS solution. These values include:

- Federal Grants

- Reimbursement

- Block

- Economic Development

- Research

- Entitlement

- State Grants

  - Pass-thru – Federal

  - Pass-thru – State

  - Pass-thru – Nonprofit

  - Contractual Awards

- Other

  - Nonprofit

  - Corporate

  - Contractual Awards

Grant Lifecycle – The grant lifecycle represents a series of "statuses" which can occur during the duration of a grant. The SCEIS solution delivers a baseline set of lifecycle status values. These values can be enhanced to create a further level of detail necessary to manage and monitor the grant. The lifecycle status values delivered as a baseline include:

- Initial Draft: represents the starting point for the Grant information

- Proposal: allows for the building/estimating of grant budgets prior to submission of an application

- Application: represents the value of the grant submitted to the sponsor

- Award: notification that the organization has accepted the application and will be providing the funding

- Closing: an interim step where by final data and transactions are being processed

- Closed: the end of the grant life where all transactions have been processed and no new activity will be allowed

- Cancelled: a step in the process reached prior to the award status either by rejection of an application or decision to not go forward

Enhancement to the lifecycle values and usage of the lifecycle values has been defined for the SCEIS implementation. The values and usage included within each of the lifecycle values include:

- Initial draft

    - [No additional values identified]

- Proposal

    - [Recommended to not require usage of this value due to similarity with Application]

- Application

    - Preparation of Proposal Data

    - Determination of Agency Matching Requirements

    - Agency Finance Office Review

    - Agency Program Office Review

    - Agency Director Approval

    - GCR Approval (as required)

- Award

    - Award Notification Received

    - GCR Form Approved

- Closing

    - Agency Closing Process

    - Invoice Liquidation (no new POs)

    - Open Item Cancellation/Review

- Final Audit

- Closed

  - [No additional values identified]

- Cancelled

  - Agency Determined-Rejected Requirements/Program

  - Denied by Sponsor

  - Amended Existing Agreement

Budget Validity Period – Within Grants Management, the associated budget is controlled through 'time-slices' known as the budget validity period. The budgets are established to begin and end on a specified date. When the date period overlaps a fiscal year or multiple fiscal years, the budget period is subdivided between each of the fiscal year periods. An allocation of the budget is made for each of the periods based on the estimated spend within each of those periods. For example, if a grant award begins January 1 and runs until December 31, the budget validity period is broken into two time slices, January 1 – June 30 and July 1 to December 31. Each of these periods is assigned a budget amount based on estimated spending.

Exhibit 2.14.1-1 SCEIS to STARS Crosswalk

SCEIS Master Data	STARS Crosswalk
Sponsor	--
Grant Number	Project
Fund	Subfund
Sponsored Program	Phase or --
Sponsored Class	--
Grant Type	--
Grant Lifecycle	--
Budget Validity Period	Phase

2.14.2 Process Definition

The process for receiving a grant can generally follow one of two paths. The grant can be applied for and received or a grant can be continued. These decisions are up to the sponsor of the grant. A set of rules and reporting criteria are generally involved with the receipt of a grant and in most instances tie directly back to the objectives of the programs and the basis for reimbursement. The following set of process flow documents serves to walk-through the various grant processes and describe how the grants are applied for and received, monitored and reimbursed and closed out. The process flow is not intended to describe each minute detail of the grants management processes; however, each process is at a summary level and can generally be applied to most grants received by State agencies.

Exhibit 2.14.2-1 Grant Application and Award Process
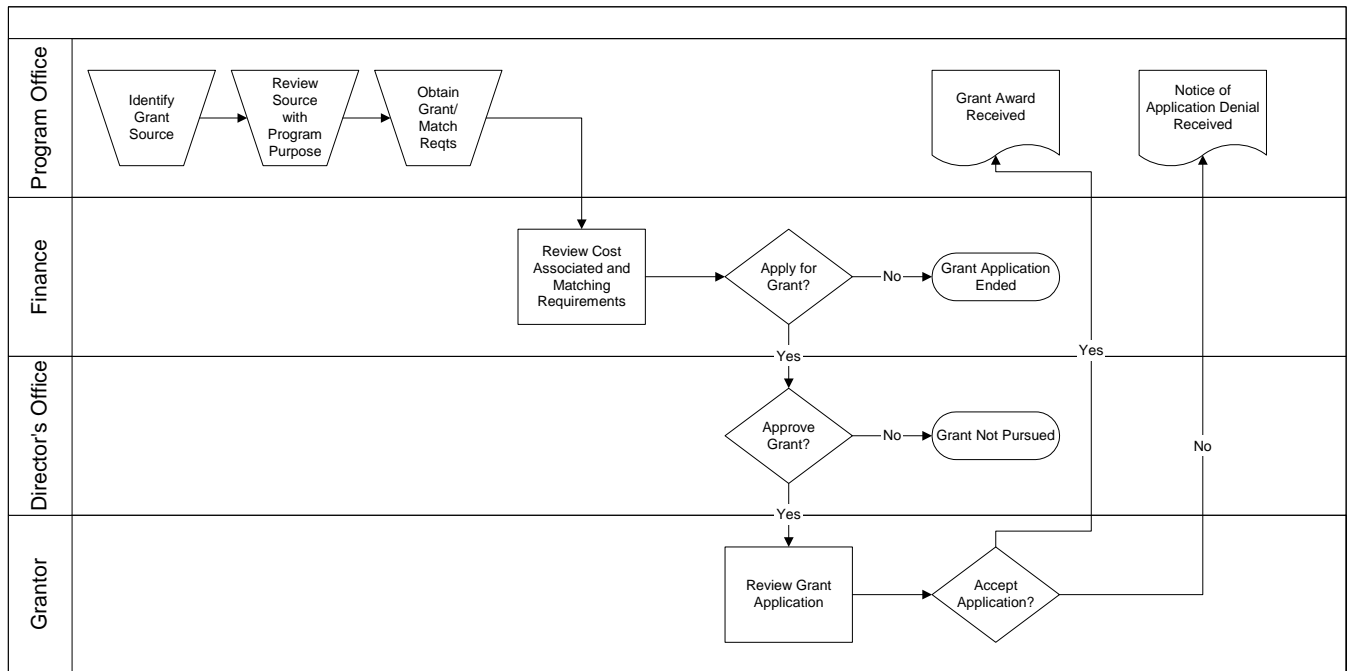
Grant processes generally begin with the identification of funds becoming available for providing a specific program or service. The identification process can be either through research and investigation or through notification by an organization that they are seeking a specific program or service to be managed. The State grant application process begins with many agencies reviewing the programs and services they provide with the types of funding available through various sources. The most common source of grant funding is through the US Government. By reviewing the funding sources, the agency can identify whether funds are available and can be

used to further its program activities or support a new program activity that is in the best interest of the agency's overall mission and purpose. The agency will generally review the requirements and terms of the grant to determine whether the State can reasonably provide the service and identify whether the agency can absorb any expected outlay required by the sponsor. Should the agency decide to pursue the grant, a formal application is generally completed and submitted to the sponsoring organization. These organizations review each of the applicants proposed program and costs and determine how to best achieve its goals by providing funds to the applicants. The review and award process by the sponsoring organization can vary from grant to grant. Upon completion of the application reviews, the sponsoring organization generally notifies the applicants as to whether their application has been accepted and the amount they will be provided. At times, the award notification can be for an amount different from the application. The State agency will then determine, based on review of the award, whether to accept the grant funds. In most instances, the awards received are used to support programs that are important to the goal of the organization and will generally be accepted. The agencies also may require approval by the State Budget Office as part of the acceptance process.

Exhibit 2.14.2-2 Grant Post-Award Process
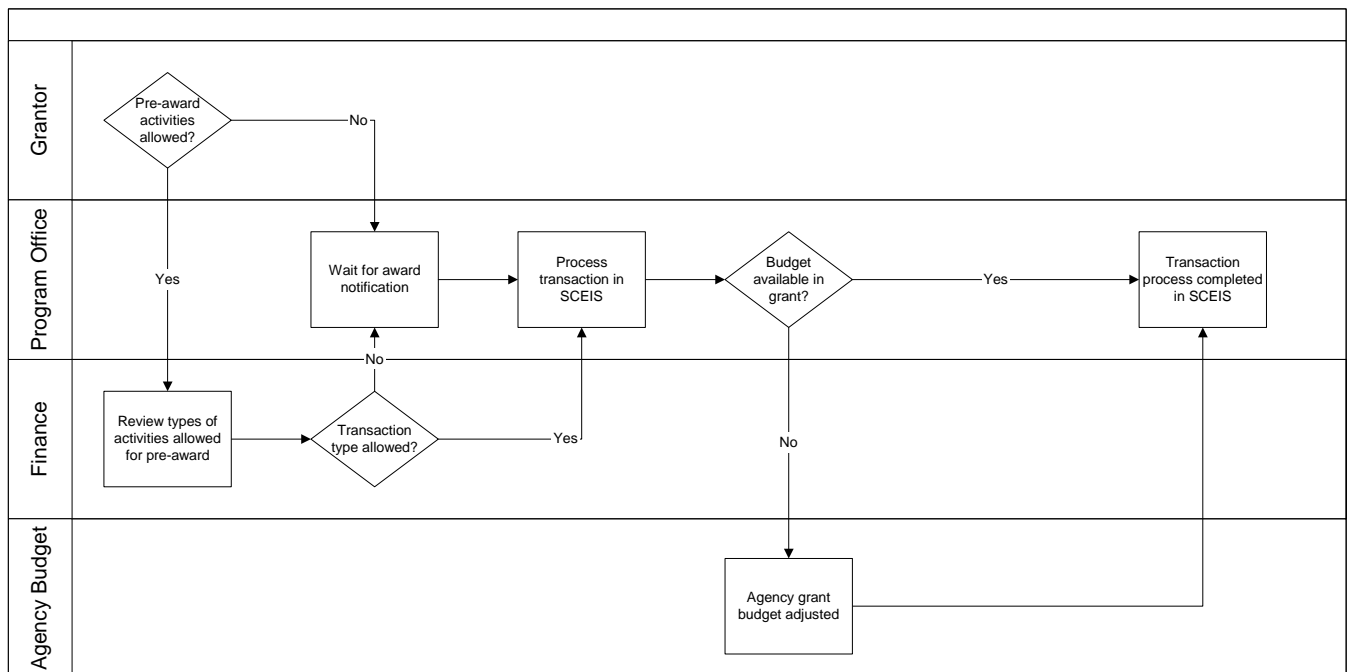
The grant award as received will identify the amount of funds awarded to the organization and may include additional instructions for monitoring and reimbursement of costs. On certain grants,

costs incurred prior to the award or award date may be reimbursed. These types of costs are generally related to survey, assessment, and analysis type of tasks that may be required in order to fully identify the true total costs of a grant. In certain instances, the sponsoring organization may allow these costs to be reimbursed. In most grants, however, the costs incurred prior to the award are not reimbursable.

During review of the grants and grant types within each of the State agencies as they prepare for implementation, a review of the pre-award activities will be made. The pre-award activities are identified at the time of the grant setup. Indicators within the grant master are defaulted from the grant type. These indicators can be changed once assigned to the grant.

Grants operate much the way a single Fund operates. The grant has a limited number of revenue streams, more commonly, the grant revenue source and program income. When grant applications are submitted to the sponsoring organization, the estimated costs for providing the specified program or service are identified. The grant award received from the sponsoring organization serves to confirm the amount to which the agency is entitled to receive. The award operates as a "budget" for the grant. The sponsoring organization will, under normal circumstances, not reimburse the agency for an amount in excess of the award, and often times not for an amount in excess of the individual line items unless pre-approved.

Grants will be managed by the State based on the primary grant data elements: grant, fund, sponsored program, sponsored class, and budget validity period. Grant budgets are developed, approved, and posted as accounting based transactions within Grants Management. The budgets become available upon approval of the grant award in the system. The controls established for the grant budget are similar to the controls found in the funds management availability control processes. A tolerance profile will be established to deny the spending of amounts in excess of the budget.

A single tolerance profile is assigned to the Grants Management functions as the default. Additional tolerance profiles can be added as necessary. The additional tolerance profiles are treated as an override for the default based on the derivation tools. During the initial implementation, one additional grant tolerance profile will be required. The additional profile will be established to override the grant budget amounts for agencies that have not been implemented within SAP. This will be determined through the derivation rules and updated as agencies are implemented.

Exhibit 2.14.2-3 Grants Management Tolerance Profiles

Tolerance Profile Name	Tolerance Profile Description
South Carolina Default	The default tolerance profile for validating budgetary amounts for the grants. The validation will verify amounts exist for the combination of Grant, Fund, Sponsored Program, Sponsored Class, and Budget Validity Period.
Interfaced Agencies	The profile that disregards budgetary controls within the Grants Management functions. These include organizations that have not implemented the SCEIS solution. Adjustments to the agencies included will be made as each organization becomes live.

Exhibit 2.14.2-4 Grant Drawdown Process
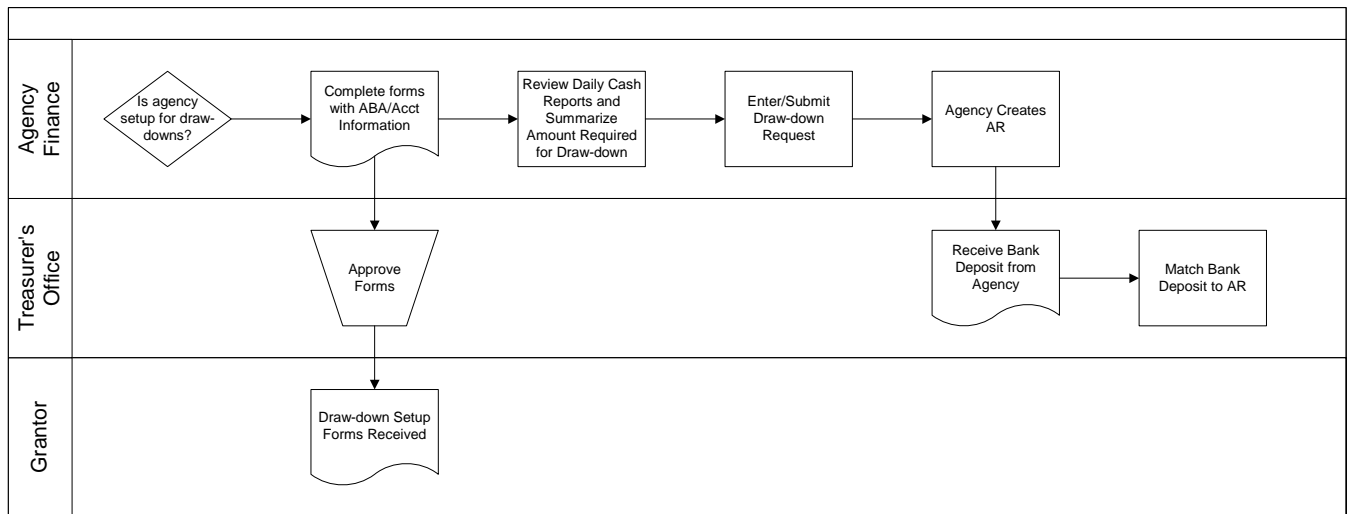
Drawdowns occur for many of the grants managed by the State. The drawdown represents the State's request, generally through electronic means, for reimbursement of costs incurred. The drawdown request is summarized based on review of amounts expended to date within the grant compared to amounts previously requested. The drawdown for certain agencies is done using computations from off-line systems to estimate their cash needs over the period (until the next drawdown request). Drawdowns for the agencies occur at differing times. Most agencies drawdown funds at least monthly. Many of those agencies drawdown funds as often as weekly and/or daily to meet the cash needs of the grant in conjunction with the CMIA requirements.

Currently, each agency enters and processes their drawdown requests to the sponsoring organization. The agency prepares and submits a deposit notification form to the State Treasurer's Office for identification and capturing of the funds. The funds, when wired by the sponsoring organization, are matched with the forms received in the State Treasurer's Office and the grant account is credited with the cash. Occasionally, the drawdown request is processed and co-mingled by the sponsoring organization with other drawdown requests. This process makes it difficult for the State Treasurer's Office to readily identify the owner of the wired funds and delays the crediting of the receiving agency's accounts. The process under the SCEIS solution will allow for the receiving agency to record an accounts receivable amount due from the sponsoring organization at the time the drawdown request is processed. The Treasurer's Office receives checks as well as wire transfers from the sponsors for reimbursement of the costs. These transactions will be posted against the receivable documents. The recording of receivables for each grant and sponsor will assist the Treasurer's Office in identifying and applying the collection to the appropriate agency grant.

The recording of receivables and receipt of payments against receivables has been included within the Accounts Receivable section of this document.

Exhibit 2.14.2-5 Grant Billing Process
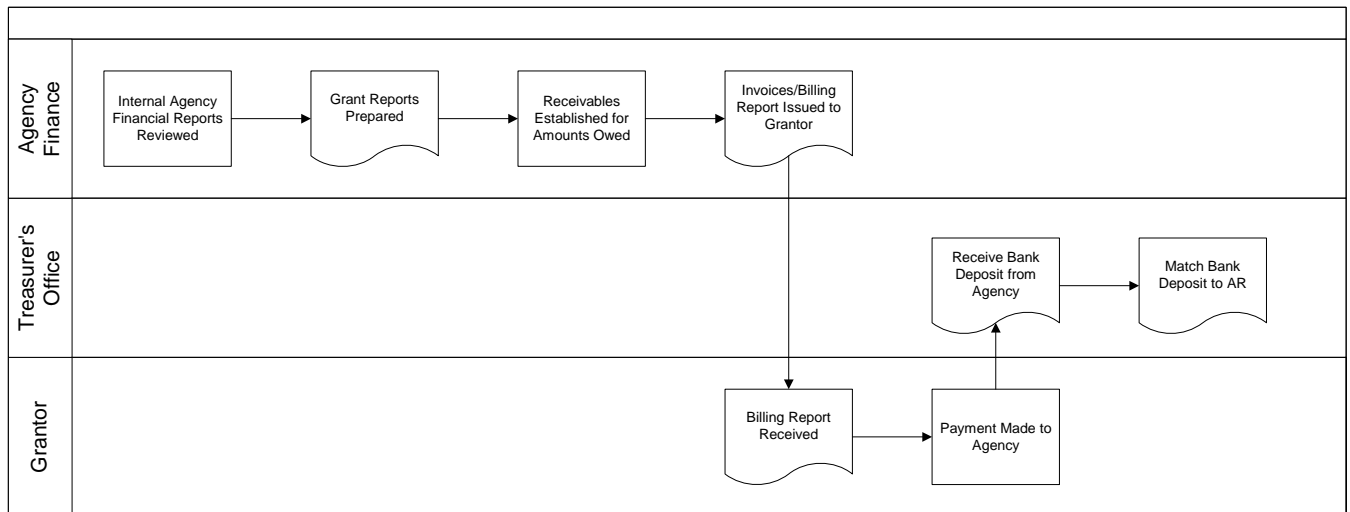
For most grants, a distinction exists between the drawdown process and the grant billing process. The drawdown process is generally related to the request and receipt of funds to support current operational needs. The amounts required are estimated based on cash outlays as well as short-

term cash needs. For grant billing requests, the process is based on a period end date (monthly, quarterly, etc.) and includes a summation of all monies expended to date for the grant less the amounts previously received or to be received from previous billings. This amount translates to an accounts receivable from the sponsoring organization. The amount on the billing request will be entered as an accounts receivable document in the SCEIS solution and will be referenced. This will allow the automatic liquidation of the receivable to occur when the electronic payment file from the bank is processed in the SCEIS solution.

Within the SCEIS solution, four standard billing methods are delivered. The delivered billing methods and a brief description is as follows:

- Manual – billing request initiated for the grant on an 'ad hoc' or user-defined basis.

- Periodic – billing request that is based on a predetermined amount and uses predetermined dates established in the grant master when creating the grant award.

- Milestone – billing request that is triggered for a specific dollar amount when specified milestone dates and activities have occurred within the life of the grant.

- Resource Related – billing request that utilizes the costs and resource charges made against the grant in order to determine the amount for which the billing should be generated.

Based on discussions with the grants SMEs, the Manual and Resource Related billing methods will be the most often used within Grants Management.

Exhibit 2.14.2-6 Grant Closeout Process
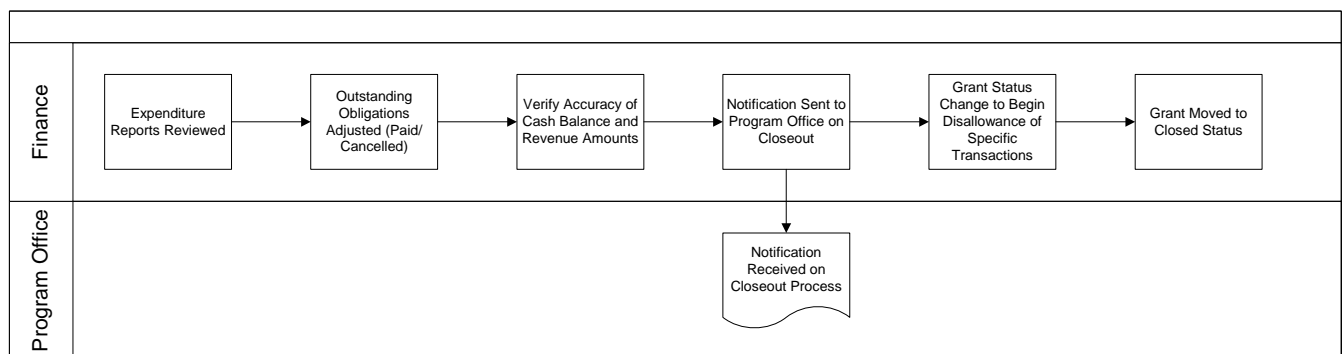
Closeout processes vary from agency to agency; however, the tasks required for closeout are fairly common across grants. The closeout process allows the receiving agency to review amounts

committed for products and services to the grant that have not been received or processed for payment to the vendor. The closeout allows these outstanding amounts to either be liquidated or cancelled. The closeout process is identified in the grants functionality through the combination of the Closing lifecycle and the allowable activities for each grant. An initial set of allowable activities is defaulted from the Grant Type. The State has identified additional Closing lifecycle statuses (user status values) to be created to support the closing process. Upon completion of the closing process and agency final audit, the grant will be moved to a closed status.

Integration

Grants management integration with other functions of the SCEIS solution is based largely on the derivation tools in grants management. The tools allow for the translation of the accounting elements entered by the end-user to the values used in grants management to manage the activities of the grant. The integration is primarily driven through the funds management functions. The grants functionality establishes references to the Funds Management solution functions so as to integrate the data.

Functionality exists within the grants management solution to create a budget for the grant based on proposed activities and levels of resources, and to activate the budget for budgetary control purposes upon the approval of the grant award. Budgetary control can be maintained solely within the grants management area.

Integration with funds management can allow for the grant budget, upon award, to be transferred from Grants Management to Funds Management for similar levels of control. However, due to the nature of the current budget process, the grant budget amounts are included within the annual budget request at a summary level. If the State chose to 'transfer' the grant budget from Grants Management to Funds Management, this would create a duplicate budget in Funds Management based on current budgetary processes. Therefore, under this option it is not recommended that a transfer be established from Grants Management to Funds Management, upon approval of the grant award by the State Budget and Control Board Budget Office.

The integration between grants management and funds management lends itself to other options that are available to the State.

The first option is to continue with the annual budget request for federal and earmarked funds at a high level and post this to funds management when the Appropriations Act becomes law. The State Budget Office would post the authority for each Agency in SCEIS. As agencies receive

actual grant awards, the agreed upon budget would be posted by the State Budget Office in the grants management area. The budgetary control in grants management would almost always be different than what exists in funds management. As budget authority in grants management began to approach or exceed the level of authority in funds management, then a budget request would be initiated in funds management and submitted to the State's Budget Office for approval and posting. Therefore, a reconciliation of authority in grants management versus funds management (i.e. the approved and/or amended Appropriations Act) will be necessary.

A second option involves the reclassification of the grant budget from an undefined state to a defined state within funs management. The reclassification process would move authority from specific funds management elements without a grant number, to the funds management elements with the grant number when the grant award is received. Under this approach, as specific awards are received, the original authority provided by the Appropriations Act would be adjusted accordingly, to reflect the specific grant budget recorded in Grants Management. This option would allow for reporting on the balance of the summary grant appropriation that is available for reclassification to specific grants as well as minimize specific needs to reconcile individual modules within the solution.

A third option would allow the agencies to submit only State Appropriation requests within the annual budget process. This process would further the integration between grants management and funds management, allowing for the initial budget in funds management to be recorded based on the budget in grants management. The budget in grants management would be based on the grant awards received and authority approved and posted by the State Budget Office. As with the previous option, no reconciliation between funds management and grants management would be necessary. The disadvantage with this option is the timing and policy changes that would be required to change the annual budget process.

The SCEIS team is reviewing all options and will make a final recommendation and determination during Realization, including the changes that may be necessary as the project implementation activities and decisions are reached and agencies implemented.

The key integration points between grants management and funds management are:

Exhibit 2.14.2-7 Grants Management Integration Points to Funds Management

Funds Management	Grants Management	Integration Key
Commitment Item	Sponsored Class	Sponsored Classes are defined as accumulators of specific Commitment Item values. The definition of Commitment Items will define how the Sponsored Classes are established.
Fund Center Functional Area Funded Program	Sponsored Program	The Sponsored Programs are not entered on the standard transactions. These values are derived generally by a combination of the Funds Management values.
Fund	Fund	No true derivation exists. The Fund is established to be used in both the Funds Management and Grants Management functions. Separate records are not required.
Grant	Grant	No true derivation exists. The Grant is established to be used in both the Funds Management and Grants Management functions. Separate records are not required.
Funds Management Document Type	Grants Management Budget Document Type	Through the configuration, the respective document types are referenced between grants and funds management.
Budget Transactions	Budget Award	While not a specific transaction, grants management allows for the creation of a proposed budget during the proposal and application process. The budget is posted as the actual grant budget during the award processing. The integration of the budget is defined as whether the budget exists initially in grants management and is passed to funds management or whether it exists in funds management and is transferred from a non-grant status to a grant status during the award processing.

The grants functions use components within the sales and distribution functions for billing purposes. During the establishment of the grant master record, the type of billing to be employed is identified. The billing method for the grant is established within the Billing Rule of the grant master and activated upon award processing. The award process creates a sales order document that is referred to during the billing cycle. The following exhibit represents the distinct integration points with grants management functions.

Exhibit 2.14.2-8 Grants Management Integration Points to Sales and Distribution

Sales and Distribution	Grants Management	Integration Key
Business Partner	Sponsor	The sponsor as created under Grants Management exists in the overall solution as a "business partner." The Sales and Distribution (SD) functions use the business partner to generate the receivable and billing amounts during grants billing processes.
Business Partner Account Group	Grants Management Account Group	The sponsor record is tied to an account group to determine how numbering is to be achieved. The grants configuration uses the business partner account groups.
Sales Order	Grant Billing Master	The Sales Order document is created during the grants management award processing. The document is then utilized during the grants billing process and tracks the billing amounts recorded against the sponsor and billing master.

Benefits

The implementation of grants management functionality will serve to benefit the individual agencies as well as the central operations of the State jointly. Through the grants workshops, a number of initial benefits for the functions were identified. These include:

- Ability to capture "pre-award" expenses (and charge to grant if allowed by sponsor)

- Ability to track/monitor status of grants through life cycle (e.g., initial processes through close-out)

- Automatic creation and submission of FSR's (status reports) and billings

- Ability to create Schedule of Federal Financial Assistance (centrally and by agency)

- Able to track/monitor sub-recipient activity

- Improved analysis for drawdowns

- Unauthorized grant expenditures minimized by establishing sponsor classes

- Ability to manage budgets for a grant separate from the budget associated with the agency appropriations

- Consistency for tracking and managing amounts received by the State for grant activities

- Ability to identify grants applied for and not received by sponsor

Indirect Cost Recovery

Indirect costs will be approached in two ways within Grants Management. Within each grant (at the sponsor and sponsor class level), the percentage of indirect costs available for recovery is entered. These percentages are utilized within the proposal and application processes to formulate the estimated budget for the grant. The amounts are estimates and can be adjusted for actual award of the grant. The indirect cost recovery allows for the entry of a specific set of recovery elements for the revenue to be posted. For specific grants within the State, the indirect cost recovery process will be used. These grants include those where a specified percentage of costs (in total or within a sponsored class) have been defined in the grant award.

Other grants within the State do not utilize a specified indirect cost recovery and calculate the indirect cost component on their grant during the time of allocation and billing. These grants utilize specific methods for calculation, generally with systems outside of the SCEIS solution, and apply the result against the billing amounts. For these grants, the indirect cost allocation will occur within the Controlling (cost accounting) component of the SCEIS solution.

Business Requirements

The following set of business requirements represent items that were discussed during the Business Blueprint workshops that can be classified in one of the following categories: 1)A new requirement (i.e. not identified in the original RFP); 2)A previous requirement that responding to a solution that has changed significantly (i.e. grants); or 3)A previous requirement that should be reviewed carefully with the solution as it may not fall in line with the solution best practice. Please refer to the appendix of this document for the RFP requirements.

Identify each grant through the assignment of an agency defined grant number and maintain grant-related descriptive information; have the ability to define a detailed master record for each grant to contain at least the following information: CFDA number; Grant number; Awarding agency; Award amount; IDIS number, if applicable; Other user defined fields. The grant number is assigned at the completion of the grant master record. The grant numbers are assigned either "internally" or "externally." The definition as to internal or external is made at the grant type level. The grant master also serves to capture the CFDA values and additional internal or external

numbers. The sponsor, which is assigned to a grant, represents the awarding agency and the IDIS number can be either populated in a text field or within the Letter of Credit elements.

Provide the ability to establish grant budgets and track/multiple funding sources and expenditures against the budget. As discussed previously, the grant elements include grant, fund, sponsored program, sponsored class, and budget validity period to support the requirements.

Ability to track and report grant operations (i.e., budget, expenditures, encumbrances, and revenues) over several different periods including the state fiscal year, federal fiscal year, multiple-year grant period, and any specified period within the grant period. The budget is maintained in the grants function and can be subdivided by the state fiscal year based on the budget validity periods.

Ability to support grant closing independent of the state fiscal year. Grants are managed through the lifecycle statuses and can be closed at any point in time.

Support financial report preparation for grants (i.e., monthly, quarterly, and annual federal reporting requirements). Financial reports will be developed and provided through the business warehouse tools. Certain financial reports are becoming available through future releases of the solution; however, for most users, separately developed reports will more closely fit the reporting needs.

Sub-recipient reporting–ability to uniquely identify each sub-grantee for grants and all grant financial activity related to sub-grantees, including but not limited to the following:

- Record awards made to sub-grantees

- Record funds received from federal government (or other sources) for pass-through

- Record funds disbursed from the agency

- Record sub-grantee budget by categories as defined by the grant and/or sub-grant contract

- Capture the effective beginning and end dates of the sub-grant

- Warn user if drawdown or reimbursement request exceeds grant award

Sub-recipient accounting will be accomplished through the use of separate grants, contracts, and internal orders. The grants functions are being enhanced and future releases should provide specific, enhanced capabilities on sub-recipient accounting and monitoring.

Allow tracking of revenue and expenditure actual amounts and budget (including encumbrances), by current fiscal year and grant inception date to current date, at detail level specified by user. Amounts are captured by each of the values entered and derived by the user. The information is available in the general ledger. The information within grants management functions is specific to the master data represented (i.e. sponsor, grant, fund, sponsored program, sponsored class, budget validity period). Raw data will be made available through the Business Warehouse to allow users to compile their own reports.

Prohibit processing of grant-related expenditure transactions not within grant service dates (with override capability). Pre-award costs are the only examples of items that can be processed that exist outside of the service dates. The applicability for pre-award costs is identified on the grant master.

Allow for establishing grant activity at lower levels of detail than grant number (e.g., grant phase or activity within phase) and track financial activity associated with each phase. Currently, the solution provides for three levels below the grant: fund, sponsored program, and sponsored class.

Report on the detail that supports requests for reimbursement, and the cash draw down process, including application of indirect costs on a grant-by-grant basis. Reports have been identified following this section.

Track federal, state, and local grant matching requirements. Matching requirements will be handled as statistical entries for memorandum-based (non-cash) requirements and within separate funds for each of the various funding sources on a grant.

Ability to suspend a grant prior to completion. Grants can be suspended through the lifecycle process or by setting an indicator on the grant master to "block all postings."

Ability to carry forward fiscal year fund balances for multi-year grants. For the instances where grant fund balances do exist, grant fund balances can be carried forward within the funds management functions.

Ability to record as a memo entry the "in-kind" value (e.g., non-cash match) as part of grant activity. See response above relating to local grant matching requirements.

Compliance with Federal Government's Single Audit Act and cash management legislation. Single audit compliance can be assisted through the establishment of the sponsored class values.

These values provide for a restriction on the types of costs that can be incurred on the grant (and subsequently reimbursed). Some compliance aspects will required controls be in place outside of the SCEIS solution. Cash management legislation (specifically, the Cash Management Improvement Act) has been identified for future development within the solution. Tools currently available within the solution to monitor outgoing payments and cash balances will be used until the enhanced CMIA tools are available within the solution.

Ability to track grantor match rates by grant, grant phase or function, and object. Information can be obtained through the grant elements: grant, sponsored program, and sponsored class.

Store the indirect cost rate along with an effective time period for each grant, grant phase, and object. Indirect cost rates are stored in the grant master based on the sponsored program and sponsored class values.

Allow grant on-line inquiry screens that allow the user to select the time period of the data displayed including the month and year, as well as the type of activity (i.e., monthly activity, year-to-date activity, or life-to-date activity). Various inquiries exist, however, the solution leverages business warehouse for many of the inquiry and reporting needs. See reports defined below.

Provide edit that ensures the CFDA number is valid for the grantor assigned to the grant. The CFDA element is selected on the grant master, not manually keyed. The values will be established system-wide and amended as appropriate.

Support grants that do not have a CFDA number. The CFDA values are established at the beginning. The CFDA should be used when appropriate. The grant type will determine the requirement of populating the CFDA field. For state grants and commercial grants (both non-federal sponsors), the grant type will provide that the CFDA field is not required or not allowed.

Allow recording of memo and statistical transactions. See above on local matching requirements.

Produce the Schedule of Federal Financial Assistance.

Grant Structure:

- Must support a multi-level grant structure that supports grantor and federal government reporting requirements

The sponsor supports the grant and the Business Warehouse will be used to accumulate financial reports that are not baseline products in the grants management functions

The structure should provide for the elements shown below:

- Grant Type. Identifies each grant as belonging to a particular type of grant (e.g., federal grant, state grant, other) as defined by the user agency

- Grantor. Provides information pertinent to the organization or individual from which the grant was received

- Grant Category. Defines grant category used for grant reporting purposes. For federal grants, the category identifier should be the Catalog of Federal Domestic Assistance (CFDA) number

- Grant Number. The grant numbering structure should be unique to each Agency and should so identify each grant uniquely

The original requirement from the RFP identified the need for unique grant numbers within an agency. The opportunity exists to create a single grant *across* agency lines to be used instead of each agency establishing its own grant number. Either option is available; however, through the workshops and FAR, the SMEs saw the added benefit to use an element statewide for better reporting.

- Budget Period. Budget period distinguishes fiscal year for ongoing and/or continuing grants

- Grant Phase. The grant phase can be used to identify a unique time period, activity structure within a grant, or phase within a specific grant

- Sub-grantee. Identifies the sub-grantee and related sub-grantee information associated with a particular grant for grant reporting purposes, including sub-grantee organization name; sub-grant identification number,

    – Fiscal year (federal and/or state) for continuing sub-grants

    – Allow optional line item budget detail for sub-grant

    – Allow capture of expenditures by line item

Each of the elements above is included within the grants management functions. The sub-grantee or sub-recipient will be managed temporarily through separate grants, contracts or internal orders until the functionality exists.

Additional Requirements Identified Through Grants Workshops:

- Grant reporting required for different combinations of general ledger accounts (sponsor classes)

- Agency financial personnel need to be involved/notified of grant statuses (including matching requirements, sponsor classes, etc.) during application to award

- Agency director/designee has ultimate approval of application

- Ability to monitor the status of all grants (beginning to end)

- Hard controls must exist, at a minimum, on the State level

- Must be able to monitor a grant's cash level

- Need ability to track grants from original grant source, not just agency to agency, or in case that an agency is a sub-recipient

- Drawdown analysis reports should provide information as to amounts still available for draw

- FSR and standard grant reports available; ability to capture signature and store this electronically rather than manual scanning; ability to send electronically to grantor

- Report on grants approaching expiration, including their status

- Workflow for FTE's (OHR) request and approval

The grant items identified from the workshops will be included within the functionality over the implementation timeframe of the statewide solution. For FTE based information to flow properly, the solution requires the usage of Human Resource functionality. This is scheduled for implementation at a later time period. Additionally, cash management has been identified in the funds management functions as an area of emphasis. Based on the workshop discussion, cash management is not required for control at the grant level, but is required for monitoring in order to support drawdown requests.

Reporting
The grants workshops identified specific types of reporting needs for the managers of grant financial activities. Many of the financial reporting needs will be supported through the usage of the business warehouse functionality. Few true reports exist within the solution due to the varied nature of how the solution elements are used from one implementation to another. The workshop

subject matter experts from the State identified the following reporting requirements from grants management functions:

- *Grant reports with budget vs. actual required at level to which grants are controlled (grant, fund, sponsored class, sponsored program).* Budget v. Actual reports are available as standard reports within Grants Management.

- *Cash reports by grants and phase to support drawdowns.* Reports to support drawdowns will be custom developed from the data within the Business Warehouse.

- *Detail transaction reports with full account assignment elements and document details used for ad hoc reporting.* The subject matter experts preferred a listing of transactions posting against the grant master with as many information elements as possible so as to sort, subtotal, filter, etc through standard office tools. This will be available through business warehouse functions. Initial listing of values required included:

  - Document Number

  - Date

  - Grant

  - Fund

  - Sponsored Program

  - Sponsored Class

  - Functional Area

  - Business Area

  - Cost Center

  - GL Account

  - Short text (from transaction)

  - Vendor

  - Transactions Amount

- *Close-out reporting to verify that cash balance is zero and there are no o/s encumbrances*
  Final close-out reports displaying grant cash and commitment amounts will be used to
  support the closing process. These will be required from the business warehouse functions.
  The cash report should include the grant and fund values with a beginning period balance,
  plus cash revenues collected, less cash expenditures, equals cash ending balance.

Exhibit 2.14.2-9 Grants Management Reporting Needs

Report Name	Description	Standard Report/ InfoCube
Grant Budget v. Actual	Grant reports with budget vs. actual required at level to which grants are controlled (Grant, Fund, Sponsored Class, Sponsored Program)	Standard Report – Budget vs. Commitment/Actual
Grant Cash Report	Cash reports by grants and phase to support drawdowns.	InfoCube – Detail Activity
Detail Transaction Report	A report identifying the detail account assignment elements and document details used for ad hoc reporting This will be available through Business Warehouse functions.	InfoCube – Detail Activity
Grant Close-out Report	Final closeout reports displaying grant cash and commitment amounts to verify that cash balance is zero and there are no o/s encumbrances.	Standard Report – Budget vs. Commitment/Actual
Federal Status Reports	Various forms and reports are required by the US government in support of grant reimbursements. Many of the agencies utilize a similar form. For reporting purposes, the generation of the form or the data required to manually prepare the form is being requested.	Custom report (Report Writer) – note: SAP is currently developing some standard federal reports as they enhance the solution.
Schedule of Federal Financial Assistance	The year-end report required for completion that covers all grant activities is identified as the Schedule of Federal Financial Assistance. The report should provide sponsor, grant, external grant number, CFDA number, and financial balances for expenditures, revenues, accounts receivable, and deferred revenue.	Custom report (Report Writer/ABAP) – may consider a new InfoCube to support the requirement.

InfoCubes represent predefined sets of data that will be accessible for authorized users from the
SCEIS Business Warehouse. The InfoCubes contain information that is transferred from the
production system into a repository on a predefined basis. The cubes are standard cubes within
the solution and will be reviewed by the project team to confirm applicability for the specific
functional reporting need as identified above.

Exhibit 2.14.2-10 Grants Management InfoCubes

InfoCube Name	Purpose/Description
Aggregated Key Figures	The InfoCube contains a copy of the information included within the Special Ledger table for Grants Management. This includes statistical values and characteristics for measurement and reporting.
Detail Activity	The cube includes detail financial transaction history for the grant.
Budget Activity	The cube includes the budget activity for the grant including the grant budget, amounts released, and amounts unreleased.
Status Network	This InfoCube contains detail history on the grants lifecycle status changes. The cube includes information on what the current status is for the grant and when the change was made.

Workflow

Workflow within the grants functionality is available based on the settings within the grant type. The workflow is identified as being necessary at the grant type for any and all of the grant lifecycle statuses. At the lifecycle level, the workflow is determined as to "what type" of request is being initiated. That is, the workflow can initiate a 'notification only' flow or an 'approval' flow. Within the grant master record, the grant responsibilities are identified and a user is identified to approve or be notified of the action. Since the notifications and approvals are established at the grant master level, the requirements within each agency will be reviewed during its implementation timeframe. Multiple individuals can be included as either notification or approver on the grant master.

The second workflow function that is included within the grant management functions relates to budgetary documents. Grants management identified whether a specific budget document type is relevant for workflow purposes ("budget approval"). Similar to the master record workflow, the grant budget approval is identified on the grant master record by either user or position. This will be established at the user level.

Imaging

Imaging requirements have been identified for the documents that impact the grants management processes. Imaging within Grants Management refers to the scan and capture of information that is required to be maintained for the grant based on specified business rules or other requirements. The following table identifies the types of documents and information to be included in the

imaging process and the point in the process to which the imaging activities would generally occur.

Exhibit 2.14.2-11 Grants Management Imaging Integration Points

Scanned Documentation	Approval Process	Imaging Integration Point
Application	Yes	Agency personnel would attach the application submitted to the grant sponsor after the grant master record has been created and while the grant is in the Application lifecycle status for approval.
Budget Planning Information	Yes	The completion of the budget estimates for the grant application and proposal lifecycle will require approval from individuals within the organization. The documentation necessary for the approval will be attached to the grant master record.
Grant Award	Yes	Acceptance of the grant award from the sponsor requires approval. The documentation received from the grant sponsor will be attached to the grant master record to support the award activities.
Invoice/Drawdown Documents	No	Invoices prepared and submitted to the grant sponsor and documents used to compute the amount of the drawdown request will be imaged and attached to the accounts receivable transaction.

User Roles

Based on the business processes supporting grants management, the following standard roles have been identified. Within Grants Management, supporting team members have been identified in the business processes to create transactions to support the fulfillment of grant agreements (i.e. agency finance staff, state treasurer's office). These roles or groups of users have been included in the respective functional area such as accounts payable, cash management, general ledger, etc. The impact to grants management from these users transactions is similar to other data element postings.

Exhibit 2.14.2-12 Grants Management Standard User Roles

User Role	Description
Agency Grants Program Office	The users within the Agency Grants Program Office will be responsible for the creation of the data for the grant master record input. The users will identify the lifecycle stage and the appropriate grant type and sponsor information. The Agency Grants Program Office will also adjust the grant master records' lifecycle status as it moves through the application and award process.
Agency Grants Program Approval	The users within the Agency Grants Program Approval will be responsible for approving the movement of the grant master record from one lifecycle status to another. These include the submission of the application as well as the acceptance of the award.
Agency Grants Budget Office	The Agency Grants Budget Office users will be included in the approval cycle for review/preparation of the grant estimated budget amounts. The Agency Grants Budget Office will also be responsible for posting changes to the grant budget amounts.
Central Grants Budget Approval	Central Grants Budget Approval will authorize new grant budget amounts based on the grant award documents.
Central Grants Master Data Maintenance	Central Grants Master Data Maintenance users will maintain the various Grants Management elements. These include: Sponsor, Grant, Sponsored Program, Sponsored Class, and Fund. Grant Type is considered configuration and will be included within the overall SCEIS support team roles for management of the solution.